

Message Text

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PAGE 01 MADRID 05846 181156Z

44

ACTION EB-11

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TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEAE-00 OMB-01

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TO SECSTATE WASHDC 9993

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DEPT PASS TREASURY

E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: COUNTERVAILING DUTIES

REF: STATE 197498; MADRID 5771

1. TRANSMITTED HERewith IS WORKING TRANSLATION TO
ENGLISH OF NOTE VERBALE NO. 445 DATED SEPTEMBER 13, 1974,
COMPLEMENTARY CLOSE EXCLUDED:

THE MINISTRY OF FOREIGN AFFAIRS PRESENTS ITS COMPLI-
MENTS TO THE EMBASSY OF THE UNITED STATES OF AMERICAN AND
HAS THE HONOR OF COMMUNICATING TO IT THAT, ACCORDING TO
INFORMATION RECEIVED FROM WASHINGTON, THE US TREASURY
DEPARTMENT HAS CONDUCTED AN INVESTIGATION RELATIVE TO THE
EVENTUAL APPLICATIONS OF COMPENSATORY DUTIES ON THE IMPORTS
OF SHOES (OTHER THAN RUBBER) AND PACKED GREEN OLIVES INTO
THE UNITED STATES, FROM SPAIN.

AS A RESULT OF SUCH AN INVESTIGATION, IT HAS BEEN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 MADRID 05846 181156Z

DECIDED TO IMPOSE COMPENSATORY DUTIES OF 2.90 PERCENT ON

THE FOB VALUE FOR PACKED GREEN OLIVES AND 3 PERCENT ON THE
FOB VALUE FOR SHOES.

THE MINISTRY OF FOREIGN AFFAIRS REGRETS HAVING TO
MANIFEST TO THE GOVERNMENT OF THE UNITED STATES, IN THE NAME
OF THE SPANISH GOVERNMENT, ITS PROFOUND DISPLEASURE FOR AN
ARBITRARY, UNILATERAL MEASURE WHICH CAN SENSIBLY DAMAGE OUR
TRADE IN GENERAL AND EXPORTS OF THE ABOVE MENTIONED PRODUCTS
IN PARTICULAR.

THE SPANISH AUTHORITIES HAVE TRANSMITTED TO THE GOVERN-
MENT OF THE UNITED STATES IN A COMPLETE AND EXHAUSTIVE
MANNER, ALL THE DETAILS AIMED AT DEMONSTRATING THAT THE
FISCAL OR TAX REBATES BEING GRANTED BY SPAIN DID NOT
INCORPORATE ANY SUBSIDY TO OUR EXPORTS OF SHOES AND OLIVES
AND ARE NOT CONTRARY TO GATT'S RULES. WITH A NOTABLE SPIRIT
OF COLLABORATION, THE SPANISH GOVERNMENT AUTHORIZED A DELE-
GATION OF SPANISH EXPERTS TO MEET WITH A DELEGATION OF
US EXPERTS TO EXPLAIN THE SYSTEM TO THEM. THESE MEETINGS
WERE HELD IN THE MONTHS OF MAY AND JUNE.

IN THE NOTE VERBALE TO THE EMBASSY OF THE UNITED STATES
OF AMERICAN IN MADRID, DATED JULY 3, 1974, THERE WERE SUM-
MARIZED IN WRITING THE CONVINCING SPANISH POINTS OF VIEW,
WHICH WERE LATER ON EXTENSIVELY AMPLIFIED IN A DETAILED NOTE
VERBALE OF THE SPANISH GOVERNMENT ADDRESSED TO THE US
DEPARTMENT OF STATE, IN ORDER THAT IT BE PRESENTED DURING
THE INVESTIGATION OPENED BY THE TREASURY DEPARTMENT.

IN NUMEROUS NOTES VERBALE AND MEETINGS OF SPANISH AND
AMERICAN PERSONALITIES, THERE WERE USED NOT ONLY ARGUMENTS
OF A TECHNICAL NATURE, BUT ALSO ECONOMIC AND POLITICAL ONES,
TO SHOW THE DAMAGE THAT IN ALL GROUNDS COULD BE PRODUCED BY
A US DECISION SUCH AS HAS BEEN TAKEN.

IN THE ECONOMIC FIELD, THERE IS THE THREAT OF PRO-
DUCING IMPORTANT DAMAGES IN THE EXPORT OF TWO COMMODITIES
WHICH REPRESENT 40 PERCENT OF THE TOTAL SPANISH EXPORTS TO
THE UNITED STATES, OBSTRUCTING A GLOBAL TRADE THAT HAS BEEN
INCREASING IN A SATISFACTORY MANNER, ALTHOUGH AT THE EXPENSE
UNCLASSIFIED

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PAGE 03 MADRID 05846 181156Z

OF SPAIN, AS THERE HAS TO BE RECORDED AN OBVIOUS CHRONIC
DEFICIT FOR THE SPANISH SIDE IN THE TRADE BALANCE BETWEEN
BOTH COUNTRIES. AS A CONSEQUENCE OF THE US ATTITUDE IN THE
CASE OF SHOES AND OLIVES, THERE COULD RESULT IN THIS FIELD
PRECEDENTS, WHICH COULD RESULT IN SERIOUS CONSEQUENCES FOR
THE FUTURE.

FROM A POLITICAL POINT OF VIEW, THE PROCEDURE ADOPTED

BY THE UNITED STATES AND ITS FINAL DECISION ARE NOT IN CONSONNANCE WITH CHAPTER VI OF THE TREATY OF FRIENDSHIP AND COOPERATION WITH THE UNITED STATES, OF AUGUST 6, 1970, NOR WITH THE JOINT DECLARATION BETWEEN THE UNITED STATES AND SPAIN, SIGNED ON JULY 19, 1974.

IN EFFECT, BOTH ARTICLE XXI OF THE ABOVE MENTIONED AGREEMENT, AS WELL AS PARAGRAPH 8TH OF THE AFOREMENTIONED JOINT DECLARATION, AFFIRM THE WILL OF BOTH GOVERNMENTS TO INCREASE THEIR TRADE RELATIONS ELIMINATING THE MEASURES OR OBSTACLES THAT WOULD MEAN A RESTRICTION TO THE CURRENT OF RECIPROCAL TRADE EXCHANGE. THE RESOLUTION TAKEN BY THE TREASURY DEPARTMENT ON THE SUBJECT OF SHOES AND PACKED GREEN OLIVES COMING FROM SPAIN IS A CLEARLY RESTRICTIVE MEASURE.

BUT ALSO, ARTICLE XXVI OF THE AGREEMENT REAFFIRMS THE INTEREST OF BOTH GOVERNMENTS TO SUBMIT THEIR ECONOMIC PROBLEMS TO THE JOINT SPANISH-US ECONOMIC COMMITTEE, WHICH COULD MEET IN EITHER OF THE TWO CAPITAL CITIES WHEN BOTH PARTIES SHOULD SO DEEM IT APPROPRIATE.

THE GOVERNMENT OF THE UNITED STATES HAS NOT SATISFIED THE FREQUENTLY MANIFESTED DESIRES OF THE SPANISH GOVERNMENT AND REITERATED IN NOTE VERBALE OF JULY 30TH LAST, FOR THE MEETING OF SUCH COMMITTEE. ALL THIS LEAVES WITHOUT PURPOSE A CONSULTING BODY WHOSE MEETING, IN THIS CASE, SEEMED FULLY CONVENIENT AND REDUCES TO A "DEAD LETTER" THE AIMS OF THE MEETINGS CONTAINED IN PARAGRAPH 8TH OF THE REFERRED TO DECLARATION, WHICH INDICATES THAT BOTH GOVERNMENTS "WILL CONTINUE CONSULTING ASSIDUOUSLY AT ALL APPROPRIATE LEVELS ON ALL THE MATTERS OF COMMON INTEREST." THERE IS NO DOUBT THAT THIS WAS ONE OF THE CASES IN WHICH TO APPLY THE DISPOSITION SO REPEATEDLY EXPRESSED BY

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 MADRID 05846 181156Z

THE PARTIES TO MEET ON ECONOMIC SUBJECTS OF INTEREST.

FINALLY, THE ATTITUDE OF THE UNITED STATES HAS BEEN SO RESTRICTIVE IN THE AREA OF PROCEDURES THAT IT HAS EVEN DENIED THE REQUEST BY SPAIN THAT THE INVESTIGATION BE POSTPONED SIXTY DAYS IN ORDER THAT THE PRIVATE SECTOR AND THE GOVERNMENT ITSELF COULD PREPARE THEIR ARGUMENTS DURING THE DIFFICULT MONTHS OF THE SUMMER VACATIONS. A SIMILAR REQUEST HAS BEEN GRANTED IN LIKE CIRCUMSTANCES TO OTHER COUNTRIES, WHICH FACT PRODUCES A NOTORIOUS DISCRIMINATION TO THE SPANISH ECONOMIC INTERESTS.

THEREFORE, THE SPANISH GOVERNMENT UPON EXPRESSING ITS DISPLEASURE TO THE GOVERNMENT OF THE UNITED STATES OF AMERICA WISHES TO POINT OUT:

1. THAT THE DECISION TAKEN BY THE US TREASURY DEPARTMENT OF APPLYING COMPENSATORY DUTIES TO OUR EXPORTS OF SHOES (OTHER THAN RUBBER) AND PACKED GREEN OLIVES IS UNILATERAL, AND HAS BEEN TAKEN WITHOUT THE SUFFICIENT SPANISH COLLABORATION, AND WITHOUT GRANTING SPAIN REAL OPPORTUNITIES TO REACT, NEITHER IN THE SPIRIT NOR IN THE FORM.

2. THE SPANISH GOVERNMENT PLACES ALL ITS EMPHASIS IN DECLARING, ONCE AGAIN, THAT THE TAX REBATES APPLIED TO THE EXPORTS OF SHOES (OTHER THAN RUBBER) AND PACKED GREEN OLIVES, DO NOT INCORPORATE ANY SUBSIDY TO THE EXPORT OF SUCH PRODUCTS, AND IS NOT IN CONTRADICTION WITH GATT'S RULES.

THE SPANISH GOVERNMENT REGRETS THAT ACTS OF THIS NATURE CAN PERTURB THE ECONOMIC RELATIONS BETWEEN BOTH COUNTRIES WHICH, TRADITIONALLY, HAVE BEEN MAINTAINED IN TERMS OF CLOSE COLLABORATION AND FRIENDSHIP, AND ABOVE ALL, THAT SUCH FACTS HAVE BEEN DEALT WITH SEPARATELY AND WITHOUT CONSIDERATION TO THE CONTEXT OF POLITICAL RELATIONS AND OF THE COMMITMENTS THAT UNITE BOTH COUNTRIES.

2. SPANISH TEXT OF NOTE VERBALE IS BEING TRANSMITTED TO DEPARTMENT BY AIRGRAM.
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